FINANCE SECRETARIAT

GOVERNMENT OF MYSORE

MYSORE GOVERNMENT SECRETARIAT,
"VIDHANA SOUDHA",
Dated Bangalore, 6th June 1963

No. FD 2 DCS 63.

FROM

The Secretary to the Government of Mysore,
Finance Department,
BANGALORE.

To

The Secretaries to Government
The Heads of Departments.

SIR,

Subject — **Compulsory Deposit Scheme**

I am to enclose a copy of a Note explaining the Compulsory Deposit Scheme relating to Income-tax payers and employees in receipt of Annual salaries of Rs 1,500 or above but who are not subject to income-tax, for your information and guidance

2. Sufficient number of copies are enclosed herein for being forwarded to all Disbursing Officers under your control. The Note may be studied carefully and action taken for recovery of Compulsory Deposit from all salaries disbursed on or after 1st July 1963 in accordance with the schemes for employees and Income-tax payers.

Yours faithfully,

N. S. BHARATH,
Deputy Secretary to Government,
Finance Department.

ANNEXURE.

NOTE EXPLAINING THE COMPULSORY DEPOSIT SCHEMES RELATING TO INCOME-TAX PAYERS AND EMPLOYEES IN RECEIPT OF ANNUAL SALARIES OF Rs 1,500 OR ABOVE BUT WHO ARE NOT SUBJECT TO INCOME-TAX

The deposits under the two schemes will be accepted at all Head Post Offices and Departmental Sub Post Offices and all offices of the Reserve Bank of India and branches of the State Bank of India and its subsidiary banks other than those which are specifically excluded for this purpose The depositors will be issued a separate pass book in each case and the amount in deposit, together with simple interest at 4 per cent per annum, will be repaid five years after the end of the year in which the moneys were deposited The interest will be free of income-tax. The schemes provide for the declaration of nominees to whom payments will be made in the event of the death of the depositors without the production of succession certificates or other legal proof of title The deposits are exempt from attachment under any decree or order of any Court in respect of any debt or liability incurred by the depositors

2 The other salient features of the two schemes are

A. *Scheme for income-tax payers*

(1) The scheme does not impose any obligation on the employer to make any deductions on account of compulsory deposits from the monthly salary paid by him to his employees who are subject to income-tax The assessees themselves will be responsible for depositing the amounts under the scheme at the deposit offices of their choice any time during the course of the financial year but not more than once a month The deposit offices will issue separate receipts for each deposit made with them and also show the deposit in the pass book The depositors will be expected to make over these receipts to the Income-tax Department as proof of having made the compulsory deposit for claiming deduction from additional surcharge payable by them

(2) It will thus follow that in so far as Government servants or employees of public sector undertakings who are liable for the payment of income-tax are concerned, no deduction will be made at source and the transactions connected with the compulsory deposits will not in any way enter the pay bills of the persons concerned

B *Scheme for employees*

(1) This scheme applies to employees of

(*a*) Central and State Governments ,

(*b*) Local Authorities ,

(*c*) Companies, including foreign companies and Government companies ,

(*d*) Corporations, including co-operative societies , and

(*e*) individuals, associations of persons or bodies of individuals liable to payment of income-tax and entitled to deduct the salary paid to their employees for purposes of computing their income ,

whose annual income from salaries is Rs. 1,500/- or above but who are not subject to income-tax

(2) The scheme imposes an obligation on the employer to make deductions of compulsory deposits at source at the time of payment of salary to their employees in all such cases An exemption has, however, been allowed in the case of employees who will be contributing during the year a sum not less than eleven per cent of their income from salaries in the form of life insurance premia, contribution to Provident Fund and deposits in the 10 and 15 year Cumulative Time Deposits with the Post Offices In their case, no recovery of compulsory deposit will be enforced.

(3) The Head of Office shall obtain a declaration in writing from each of his employees who is otherwise liable for the payment of compulsory deposit, before the payment of his salary for the first time in the month of April of the amounts he would contribute as life

insurance premia, Provident Fund subscription and deposits in the 10 and 15 year Cumulative Time Deposit accounts For the year 1963-64, these declarations have to be made before the payment of salary in the month of July 1963 If the amount proposed to be paid by each such employee is not less than eleven per cent of his annual income from salary for that year, no deduction for compulsory deposit shall be required to be made in respect of such employee for that year

The Head of Office shall verify during the course of the year but not later than the date on which salary is paid in the last month of the year, whether the employee has paid the amounts according to his declaration Where the amount so paid falls short of eleven per cent of his annual income from salary for that year, the Head of Office shall deduct the full amount of the deposit payable for the year from the salary payable to the employee in the last month of that year

(4) In all cases where the deposits have to be made, the Head of Office shall obtain an application from each of his employees, who is required under the Scheme to make a compulsory deposit, for opening an account with the deposit office, before drawing his salary for the month of June payable in July 1963 or, in the case of a person who is transferred to his Office or who is a fresh recruit and who has not already made any compulsory deposit, before the payment of his first month's salary

(5) The amount of deposit shall be 3 per cent of the annual income from salaries In the case of the current financial year, however, as the scheme is being introduced with effect from 1st July 1963, the total amount of compulsory deposits payable for the year will be limited to 2¼ per cent of the annual income from salaries

(6) The total amount payable for the year should be rounded to the nearest rupee and recovered in equal monthly instalments, provided the monthly recoveries also are made in whole rupees, the final adjustment being made in the deduction to be made from the salary for the month of February payable in March

(7) As defined in section 2 (e) of the Act, for purposes of this Scheme, the expression 'salary' has the same meaning as in section 17 of the Income-tax Act but does not include any gratuity or annuity or pension

(8) Except in cases where it may otherwise be specifically authorised, the deductions on account of compulsory deposits shall not be shown in the pay bills but only in the acquittance rolls or office copies of the pay bills, where the latter are used for obtaining the quittance for the disbursement of the salaries. The deductions so made shall be listed out in a statement in Form F enclosed with the Scheme in duplicate or triplicate as may be required by the deposit office. The Head of Office shall arrange to deposit the deductions made by him on account of compulsory deposits with the deposit office within a period of 14 days of the disbursement of the salaries duly supported by the application forms in the case of first deposits and pass books for subsequent deposits and the schedule of deductions, one copy of which will be returned by the deposit office duly receipted

(9) To avoid loss of interest to the depositor, all deductions made within a month should as far as possible be deposited with the deposit office within the same month In the month of March, however, the Scheme requires the deposits to be made in that very month and not in the subsequent month, as otherwise repayment of deduction in the month of March would be postponed by another year

(10) In cases where amounts for the disbursements of salaries are drawn on cheques issued by the Head of Office or by the Treasury Officer, as the case may be, the remittance of compulsory deposits into the deposit office may be made by cheques. For this purpose the Treasury Officer can be asked to issue separate cheques representing the amount of the compulsory deposit deducted at source In such cases also, the deductions will not be reflected in the pay bills except that the total amount of the pay bill will be drawn against two cheques

(11) The pass books obtained from the deposit office shall be retained in the custody of the Head of Office who shall verify that the recoveries made every month have been duly entered in the pass books. The pass books will also be open for inspection by the employees, for which suitable facilities may be provided.

(12) On the termination of employment, the pass book shall be handed over to the employee against receipt Thereafter the Head of Office will in no way be concerned with all subsequent transactions including the repayment of the deposits, which will have to be claimed directly from the deposit office by the depositor himself

In the case of transfer of an employee to another Office, the Head of Office shall arrange for the transfer of the pass book along with the transfer documents of the employee to the Office to which he is transferred An acknowledgement may be obtained from the new Office and placed on record

(13) The Head of Office shall also arrange to make available the pass book to the depositor to enable him to claim any repayment of the deposit from the deposit office, to which he may be entitled under the Scheme.

(14) The Head of Office shall be personally responsible for the deductions on account of compulsory deposits and for their prompt remittance to the deposit office and for the correctness of the amounts deposited The records relating to these transactions will have to be made available to audit as and when required

(15) In the case of employees who draw their own salary bills, the deposit will have to be made by the employees themselves every month in the deposit offices The pass books issued by the deposit office will be retained by such employees but will be required to be produced for inspection of the Head of Office, who shall be responsible to verify that the deposits were being made regularly and correctly For this purpose the Head of Office shall maintain a register in the form as in the annexure to this note

3. The above instructions shall apply *mutatis mutandis* to all public sector enterprises under the control of the administrative Ministries

ANNEXURE

Compulsory Deposit (Employees) Scheme, 1963

Name of the employee	Year and month of deposit	Amount of deposit	Date on which pass book is produced for inspection	Remarks of the Head of Office.*
(1)	(2)	(3)	(4)	(5)

* Wherever the employee is contributing a sum not less than 11 per cent of his income from his salary in the form of life insurance premia, contribution to Provident Fund and deposits in the 10 and 15 year Cumulative Time Deposits with the Post Office, this fact should be indicated in this column

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